

F I R S T Q U A R T E R R E P O R T



**Avco
Financial
Services
Canada
Limited**

Avco Financial Services
Subsidiary of Textron Inc.

CONSOLIDATED HIGHLIGHTS

Thousands of dollars, three months ended March 31,		1997	1996
NET EARNINGS		\$8,429	\$8,135
RECEIVABLES OUTSTANDING			
Consumer loans	\$637,963	\$573,110	
Real estate loans	339,689	376,315	
Sales finance loans	379,973	334,914	
Other loans	60,678		
TOTAL	\$1,418,303	\$1,284,339	
VOLUME OF BUSINESS			
Consumer loans	\$106,348	\$81,783	
Real estate loans	20,928	12,619	
Sales finance loans	103,444	84,378	
Other loans	38,781		
TOTAL	\$269,501	\$178,780	
NUMBER OF BRANCH OFFICES		214	214
OTHER SIGNIFICANT DATA			
Shareholders' equity	\$184,306	\$209,781	
Total lines of credit	\$605,363	\$429,985	
Commercial paper coverage	101%	102%	
Average cost of borrowed funds	6.18%	7.52%	
Allowance for losses as a percentage of receivables outstanding	2.50%	2.58%	
Net credit losses as a percentage of average receivables outstanding	2.53%	2.27%	
Other operating expenses as a percentage of revenues	40.03%	37.30%	

CONSOLIDATED EARNINGS

Thousands of dollars, three months ended March 31,	1997	1996
REVENUES		
Interest, discount and service charges	\$64,693	\$63,729
Insurance premiums	3,465	7,506
Investment income	2,926	1,339
Other revenues	2,782	793
TOTAL REVENUES	73,866	73,367
EXPENSES		
Interest and debt expense:		
Interest on long-term debt	12,671	14,091
Amortization of long-term debt financing costs	335	352
Interest on short-term debt	5,789	6,017
TOTAL INTEREST AND DEBT EXPENSE	18,795	20,460
Provision for losses on collection of receivables	9,793	6,990
Insurance losses and adjustment expenses	572	4,062
Other operating expenses	29,567	27,366
TOTAL EXPENSES	58,727	58,878
Earnings before income taxes	15,139	14,489
Income taxes	6,710	6,354
NET EARNINGS	\$8,429	\$8,135

See accompanying notes.

CONSOLIDATED RETAINED EARNINGS

Thousands of dollars, three months ended March 31,		1997	1996
BALANCE AT BEGINNING OF YEAR		\$150,708	\$178,649
Net earnings		8,429	8,135
BALANCE AT END OF PERIOD		\$159,137	\$186,784

See accompanying notes.

CONSOLIDATED FINANCIAL POSITION

Thousands of dollars, March 31,	1997	1996
ASSETS		
Receivables	\$1,418,303	\$1,284,339
Allowance for losses	(35,429)	(33,166)
.....	1,382,874	1,251,173
Investments	43,540	72,751
Prepaid expenses and other receivables	30,334	24,092
Deferred income taxes	1,975	4,353
Property and equipment, at cost (less accumulated depreciation and amortization: \$23,141 in 1997 and \$20,925 in 1996)	16,901	13,893
Cash	678	1,066
Other assets, net of amortization	6,127	3,328
TOTAL ASSETS	\$1,482,429	\$1,370,656
LIABILITIES		
Short-term debt - unsecured - commercial paper	\$599,547	\$420,142
Long-term debt - unsecured	647,250	659,435
.....	1,246,797	1,079,577
Accounts payable and accrued liabilities	40,482	26,795
Dividends payable		2,150
Deferred insurance commissions	2,307	1,000
Income taxes payable	1,184	206
Insurance provisions and claims:		
Unearned premiums	2,071	31,133
Provision for outstanding claims	5,282	20,014
TOTAL LIABILITIES	\$1,298,123	\$1,160,875
SHAREHOLDERS' EQUITY		
Common share capital	16,788	16,788
Additional paid-in capital	8,381	6,209
Retained earnings	159,137	186,784
TOTAL SHAREHOLDERS' EQUITY	184,306	209,781
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,482,429	\$1,370,656

See accompanying notes.

CHANGES IN CONSOLIDATED FINANCIAL POSITION

Thousands of dollars, three months ended March 31,	1997	1996
OPERATING ACTIVITIES		
Net earnings	\$8,429	\$8,135
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for losses on receivables	9,793	6,990
Depreciation and amortization of property and equipment and other assets	1,387	1,234
Decrease in deferred income taxes	1,029	190
Increase (decrease) in deferred insurance commissions	543	(2)
Increase (decrease) in provision for outstanding claims	(56)	2,335
Decrease in unearned insurance premiums	(428)	(1,203)
Decrease in income taxes payable	(3,302)	(3,138)
Other, (net)	(11,471)	35
Decrease in accounts payable and accrued liabilities	(15,495)	(18,069)
	(9,571)	(3,493)
INVESTMENT ACTIVITIES		
Funds advanced on receivables	(269,501)	(178,780)
Principal collections on receivables	241,974	207,123
Increase in investments (net)	(2,263)	(1,898)
Purchases of property and equipment (net)	(976)	(1,545)
Disposal of insurance assets and liabilities (net)	(2,172)	
Related party sale of insurance assets and liabilities	2,172	
	(30,766)	24,900
FINANCING ACTIVITIES		
Increase in short-term debt, net	40,013	78,908
Repayment of long-term debt		(101,000)
	40,013	(22,092)
Net decrease in cash	(324)	(685)
Cash at beginning of year	1,002	1,751
Cash at end of period	\$678	\$1,066

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1997 and 1996

Basis of Presentation

These consolidated interim financial statements are unaudited and reflect all adjustments (consisting only of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods.

The results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

These consolidated interim financial statements should be read in conjunction with the Company's 1996 Annual Report.

Comparative Amounts

Certain comparative amounts have been restated to conform to the current year's presentation.

BANKS EXTENDING LINES OF CREDIT

Bank of Montreal - Toronto, Ontario
 The Bank of Nova Scotia - Toronto, Ontario
 Canadian Imperial Bank of Commerce - Toronto, Ontario
 Royal Bank of Canada - Toronto, Ontario

The Toronto-Dominion Bank - Toronto, Ontario
 Bank of America Canada - Toronto, Ontario
 Deutsche Bank - Toronto, Ontario
 National City Bank - Columbus, Ohio

COMMERCIAL PAPER

Avco Financial Services Canada Limited is a direct issuer of commercial paper. Short-term notes may be purchased on any business day and are available to investors on either a discount or interest bearing basis in minimum denominations of \$100,000 for terms of 1 to 365 days. All commercial paper is senior debt of the Company and is guaranteed by Avco Financial Services, Inc. Same day delivery can be made to investors through an issuing agent bank in Montreal, New York, Toronto, London, Winnipeg, Regina, Saskatoon, Calgary, Edmonton and Vancouver. For rates and information please contact Avco Financial Services, Inc., Costa Mesa, California at 1-800-334-2826.

Avco Financial Services Canada Limited

Credit Agency Ratings:	Commercial Paper	Long-term Debt
Dominion Bond Rating Service	R-1 (Low)	A(High)
Canadian Bond Rating Service	A-1	A(High)

Avco Financial Services, Inc.

Credit Agency Ratings:	Commercial Paper	Long-term Debt
Standard & Poor's	A-1	A
Moody's	P-1	A-2
Fitch	F-1	A+

SENIOR OFFICERS AND DIRECTORS

L.R. GUEST

Vice President, General Counsel,
Secretary and Director

J.G. MORENCY*

Director (Partner, Martineau, Walker),
(Partner, Fasken, Martineau)

J.C. MAYNARD

Senior Vice President and Director

J.F. ROBINSON, F.C.A.*

Director (President, XYLAN Inc.)

E.R. SCHUTT, JR.

Director, and President International Finance
Operations, Avco Financial Services, Inc.

D.M. WALLACE*

President and Director

*Member of the Audit Committee

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Vice President and Treasurer

W.H.S. COX

Vice President

G. DAICOFF

Vice President

S. D'ITRI

Vice President

S.G. FURLONGER

Vice President and Controller

L.A. INNANEN

Vice President

A.J. KNIGHT

Vice President

A. LABELLE, JR.

Vice President

J.P. LOW

Vice President

A.W. MILES

Vice President and General Manager
(Insurance)

L.J. RACKEL

Vice President

H.A. VANDEN HEUVEL

Vice President (Insurance)

